



An Audit of the **Texas Department of Housing and Community Affairs**

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas Department of Housing and Community Affairs (Department):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from March 1, 2019, through Feb. 29, 2020.

Background

The Texas Department of Housing and Community Affairs is the state agency responsible for affordable housing, community and energy assistance programs, colonia activities, and regulation of the state's manufactured housing industry.

Texas Department of Housing and
Community Affairs website
<https://www.tdhca.state.tx.us/>

Audit Results

The Department generally complied with the General Appropriations Act (GAA), relevant Texas Government Code and Texas Administrative Code provisions, and Comptroller requirements. Auditors found no issues with payroll, refund of revenue, grants/loans, property and asset management or controls over expenditure processing. However, the Department should consider making improvements to its purchase/procurement, contracting, payment card, travel and system security processes.

The Department cleared the findings in the last post-payment audit, which was issued in August 2017. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Purchase/Procurement and Contract Transactions</u>	Did purchase and contracted services transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing purchase order (PO). • Failure to report to the Legislative Budget Board (LBB) in a timely manner. • Missing contract development documentation. • Missing written approval to supplement the Centralized Master Bidders List (CMBL). • Pre-award Vendor Performance Tracking System (VPTS) report not evaluated/ failure to report to VPTS. • Missing/late vendor compliance verifications. • Missing written acknowledgment of compliance with State of Texas Procurement and Contract Management Guide. 	Compliant, Findings Issued
<u>Payment Card Transactions</u>	Did payment card transactions comply with all pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing training verification documentation. • Loss to the rebate payment card program. 	Compliant, Findings Issued
Refund of Revenue Transactions	Did refund of revenue transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Grant/Loan Transactions	Did grant/loan transactions comply with the GAA and the state laws and regulations pertaining to grants/loans?	No issues	Fully Compliant
<u>Travel Transactions</u>	Did travel transactions comply with all pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing amount change approval. • Missing proof of payment. 	Compliant, Findings Issued



Area	Audit Question	Results	Rating
Fixed Assets and State Property Accounting (SPA) System Report	Were tested assets in their intended locations and properly reported in the SPA system?	No issues	Fully Compliant
<u>Security</u>	Are Department employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	<ul style="list-style-type: none">• Failure to notify Comptroller to remove employee from signature card.• Failure to request security access removal for terminated employee.• Two Confidential Treatment of Information Acknowledgment (CTIA) forms not completed in a timely manner.	Control Weakness Issues Exist
Internal Control Structure	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	No issues	Fully Compliant

Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The Department must ensure that staff does not make any payment without proper supporting documentation.
- The Department must ensure that it keeps all documents relating to procurement and contracts on file. The Department must also ensure that it takes advantage of rebates offered by the payment card vendor.
- The Department must ensure staff thoroughly reviews all travel expense claims for legality and accuracy before payment.
- The Department must ensure staff notifies the Comptroller's office to remove an employee from the Department's signature card and to remove the employee's Uniform Statewide Accounting System (USAS) security profile according to termination requirements.
- The Department must enhance procedures to ensure no user gains access to the statewide financial systems without a timely completed Confidential Treatment of Information Acknowledgment (CTIA) form.



Detailed Findings

Payroll Transactions

Auditors developed a sample of 30 employees and 375 transactions totaling \$531,095.64 to ensure the Department complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

Purchase/Procurement and Contract Transactions

Auditors developed a sample of 25 purchase/procurement transactions totaling \$42,553.19, as well as six transactions totaling \$174,901.51 belonging to two vendor contracts valued at \$350,000 and \$93,237.51, to ensure the Department complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed the following exceptions in the purchase/procurement and contract transactions.

Missing Purchase Order (PO)

Auditors identified one purchase/procurement transaction that was not supported by a PO. The Department's procedures require staff to create a PO before obtaining goods and services, but the Department was unable to locate the PO. According to the Department, the purchasing staff created a purchase order change notice (POCN) and for unknown reasons the POCN overwrote the original PO in the Centralized Accounting and Payroll/Personnel System (CAPPS). The Department is currently working with its internal CAPPS staff to resolve this issue.

Without a PO, it is difficult for the Department to ensure it was not overcharged or billed for goods or services beyond those it agreed to purchase. Without proper documentation, auditors could not determine if the information entered into USAS accurately reflected the purchases. The Department must maintain proper documentation to verify that payments are valid and to ensure a proper audit trail.

Per [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), a state agency must maintain the necessary documentation for each purchase to prove the payment is legal, proper and fiscally responsible. Agencies must make supporting documentation available to the Comptroller's office in the manner required. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#). The documentation must be maintained until at least the end of the second appropriation year after the appropriation year the transaction was processed in USAS. See [34 Texas Administration Code Section 5.51\(e\)\(5\)\(A\)](#).



Recommendation/Requirement

The Department must ensure it makes no payment without sufficient supporting documentation. It must also maintain supporting documentation for audit review.

Department Response

The Department agrees with the recommendation. Established policies and procedures mitigate the risk of making payments without supporting documentation or approvals. Transactions were processed in the testing environment to ensure CAPPs maintains the proper controls for processing POCNs. It has been concluded that the POCN overwrote the original PO due to human error. Staff has been briefed and trained to prevent this processing error. The Department will continue to ensure that payments disbursed have the sufficient supporting documentation and approvals.

Failure To Report to Legislative Budget Board (LBB) in a Timely Manner

Auditors identified one purchase/procurement transaction where the Department did not report the contract information to the LBB in a timely manner. The Department reported the purchase/procurement transaction to the LBB 29 days late. The Department stated it worked with another state agency for this purchase/procurement, which delayed the LBB reporting.

According to [GAA, Article IX, Section 7.04](#), a state agency or institution of higher education must report all contracts over \$50,000 to the LBB before the 30th day after awarding the contract. The submission must include required documentation such as the award, solicitation documents, renewal, amendments, addendums, extensions, attestation letter and other supporting records.

Recommendation/Requirement

The Department must report contract awards and purchases to the LBB in a timely manner and comply with [GAA, Article IX, Section 7.04](#) and the [LBB Contract Reporting Guide](#).

Department Response

The Department agrees with the recommendation. Established policies and procedures ensure that LBB reporting is done timely. The delay in reporting was due to a miscommunication with Legal Division and purchasing staff. The Purchasing department is working on improving coordination for Legal Services contracts to ensure they are reported to LBB within the required timeline.



Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$350,000	Building Inspection Services	Missing contract development documentation	No exceptions	<ul style="list-style-type: none">• Missing written approval for supplemental CMBL.• Missing written acknowledgment of compliance with the <i>State of Texas Procurement and Contract Management Guide</i>.• Pre-award VPTS report not evaluated/failure to report to VPTS.	Missing vendor compliance verifications	No exceptions
Contract B	\$93,237.51	Software Maintenance and Support	No exceptions	No exceptions	<ul style="list-style-type: none">• Missing written acknowledgment of compliance with the <i>State of Texas Procurement and Contract Management Guide</i>.• Pre-award VPTS report not evaluated/failure to report to VPTS.	Missing vendor compliance verifications	No exceptions

Missing Contract Development Documentation

Auditors identified one contract where the Department lacked sufficient planning documentation, such as an acquisition plan and cost estimate. The Department stated that an informal acquisition plan and cost estimate were conducted but a formal document was not completed.

The Department must develop an acquisition plan and cost estimate to ensure each procurement is solicited, negotiated, executed and managed to deliver the best value to the state. The acquisition plan ensures the contract requirements are satisfied, the goods and services are delivered in a timely manner and the financial interests of the agency are protected. A well-drafted acquisition plan helps the contract manager manage the contract throughout its term. The cost estimate must be developed in good faith as it will be used not only in the selection of the appropriate procurement method, but also for compliance with statutory requirements that may apply to the purchase based on contract value, funding source or expenditure restrictions and prohibitions. See [State of Texas Procurement and Contract Management Guide](#) – Procurement Planning and Contract Management Sections.



Recommendation/Requirement

To ensure successful procurements, appropriate transition from contract development to contract management and monitoring, and best practices in contracting, the Department should develop and maintain procurement planning documentation such as the acquisition plan and cost estimate.

Department Response

The Department agrees with the recommendation. The acquisition plan template from the Contract Management Guide has been adopted and is being used for solicitation purposes. Purchasing staff will continue to evaluate the template and modify it as appropriate.

Missing Written Approval To Supplement the Centralized Master Bidders List (CMBL)

Auditors identified one contract where the Department did not follow the proper CMBL solicitation process. The Department failed to obtain written approval from its agency head or designee authorizing use of a non-CMBL vendor.

Additions to the CMBL, including written approval from the agency head or designee to supplement the CMBL, must be maintained in the procurement file. See [State of Texas Procurement and Contract Management Guide](#) – Centralized Master Bidder List – Supplementing the CMBL.

Failure to document the Department head's authorization of additions to the CMBL increases the risk of reputational damage to the state and the Department. Without documentation, non-winning bidders may feel that the state's CMBL does not provide a competitive advantage in bidding opportunities.

Recommendation/Requirement

The Department should modify its contracting procedures to maintain documentation of the executive director's approval to add non-CMBL vendors to the bid list. Such documentation should also include an explanation of why the Department needed to add non-CMBL vendors.

Department Response

The Department agrees with the recommendation. Adding non-CMBL vendors to the bid list is not a common practice. Staff is currently working on drafting a form letter to document the executive director's approval to add non-CMBL vendors to the bid list if necessary.



Pre-Award Vendor Performance Tracking System (VPTS) Report Not Evaluated/Failure To Report to VPTS

Auditors identified two contracts where the Department did not evaluate the VPTS reports before awarding a contract. According to the Department, it was unaware of this requirement. Reviewing the vendor performance report before awarding a contract allows the Department to identify vendors that have exceptional performance and meet all the contract obligations, while protecting the state from vendors with unethical business practices. The Department must consider all the information collected and evaluated before awarding a contract. [Texas Government Code, Section 2262.055](#) requires state agencies to use the VPTS to determine whether to award a contract to a vendor reviewed in the tracking system.

Additionally, auditors identified two contracts where the Department did not report vendor performance to the VPTS in a timely manner when the contract ended. According to the Department, this was due to oversight. [Texas Government Code, Section 2155.089](#) requires state agencies to report vendor performance reviews to the VPTS.

Agencies must report vendor performance on purchases over \$25,000 from contracts administered by the Comptroller's Statewide Procurement Division (SPD) or any other purchase over \$25,000 made through delegated authority granted by SPD. Agencies submit the vendor performance report to:

- Identify vendors that have exceptional performance.
- Aid purchasers in making best-value determinations based on vendor past performance.
- Protect the state from vendors with unethical business practices.
- Provide vendor performance scores in five measurable categories for the CMBL.
- Track vendor performance for delegated and exempt purchases.

See [State of Texas Procurement and Contract Management Guide](#) – Vendor Performance Tracking System Check and Vendor Performance Reporting and Contract Close-Out.

Recommendation/Requirement

The Department must check SPD's VPTS before awarding a contract to determine whether to award a contract to a vendor and must report ongoing and completed contracts to VPTS to identify vendors demonstrating exceptional performance. A dated copy of the review results from the specified website must be retained as evidence and included in the procurement file.



Department Response

The Department agrees with the recommendation. The Purchasing department is evaluating its processes to update policies and procedures to ensure increased compliance with procurement guidelines and documentation requirements. Purchasing staff has added the VPTS compliance check to its list of checks done on vendors prior to awarding a contract.

Missing/Late Vendor Compliance Verifications (VCVs)

The Department was unable to provide a complete checklist of vendor compliance verification (VCV) documents for both contracts and five purchase orders. The Department must provide a dated screen print documenting each verification. According to the Department, staff could not locate the VCVs.

Debarment Check

The Department did not search the Debarred Vendor List before entering into two initial contracts, two contract renewals and five purchase orders. The contract developer (purchaser) must check the [Debarred Vendor List](#) posted on the Comptroller's website to confirm the vendor has not been debarred by SPD. An agency must not award a contract to a debarred vendor. SPD may bar a vendor from participating in state contracts for substandard performance, material misrepresentations, fraud, breach of contracts with the state, repeated unfavorable performance reviews under [Texas Government Code, Section 2155.089](#) or repeated unfavorable classifications under [Texas Government Code, Section 2262.055](#). If a vendor is barred, SPD determines the period of debarment.

System for Award Management (SAM) Check

The Department did not search the SAM database for one purchase/procurement transaction and one contract renewal. Also, the Department performed two SAM checks after awarding the contract.

The Department must check the database to ensure the vendor is not excluded from grant or contract participation at the federal level. A contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions). See [Presidential Executive Order 13224](#).

Missing Warrant Hold Check

Auditors identified five purchase orders, two contracts, three contract renewals and eight payment card transactions where the Department did not check the warrant hold status of the vendors.



A state agency may not proceed with a payment card purchase over \$500 until the warrant hold has been released. A state agency may not pay vendors if a payment is prohibited by the warrant hold statutes. See [34 Texas Administrative Code Section 5.57\(g\)\(6\)](#).

The warrant hold check must be performed no earlier than the seventh day before and no later than the date of contract execution for transactions involving a written contract. If the vendor is on warrant hold, a state agency may not enter into a written contract with the vendor unless the contract requires the agency's payments to be applied directly toward eliminating the vendor's debt or delinquency. The requirement specifically applies to any debt or delinquency, regardless of when it arises. Although payments made through USAS are automatically checked for holds and the system identifies payments issued to persons with outstanding state debt, this does not relieve an agency from conducting the warrant hold status check. See [Texas Government Code, Section 2252.903\(a\)](#).

The warrant/payment hold statutes are:

- [Texas Education Code, Sections 57.48 and 57.482](#).
- [Texas Family Code, Section 231.007](#).
- [Texas Government Code Sections 403.055, 403.0551, 403.0552 and 2107.008](#).

Iran, Sudan and Foreign Terrorist List Organization Check

The Department failed to check the Iran, Sudan and foreign terrorist lists for five purchase orders and one reviewed contract. Government entities may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Section 2252.152](#). Each agency must check the divestment lists before contract award to see if the potential awardee is in violation of this requirement. The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) webpage. If a business is in violation, the contract may not be awarded to that vendor.

Boycott Israel Check

The Department failed to check the boycott Israel list for five purchase orders and one reviewed contract. Government entities may not contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott Israel and will not do so during the term of contract. See [Texas Government Code, Section 2271.002](#). Each agency must check the divestment lists before awarding a contract to ensure the potential awardee is not a violation of this requirement. See [Texas Government Code, Section 808.051](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) website. If the potential awardee is on the list, the contract may not be awarded to that vendor.



Recommendation/Requirement

The Department must update its policies and procedures to ensure it completes all the required VCVs before any purchase, contract award, extension or renewal, and retains a dated copy of the results in the procurement file. In addition, the Department needs to ensure that its employees are aware of VCVs required for all purchases.

Department Response

The Department agrees with the recommendation. The Purchasing department is currently evaluating its processes to update policies and procedures to ensure increased compliance with procurement guidelines and documentation requirements. Purchasing staff has been made aware to consistently update procurement files to retain the documentation regarding the completion of vendor compliance checks prior to awards. Due to a misinterpretation, vendor checks were previously only being completed prior to a new award. Purchasing staff has been instructed that compliance verifications are required prior to extensions and renewals.

Missing Written Acknowledgment of Compliance With State of Texas Procurement and Contract Management Guide

Auditors identified two contracts where the contract manager did not acknowledge in writing that the Department complied with the [State of Texas Procurement and Contract Management Guide](#). The Department was not aware of this requirement at the time of the contract award.

According to the [State of Texas Procurement and Contract Management Guide](#) – Agency Verification of Use of Best Value Standards, the contract manager or procurement director of the Department must provide a written acknowledgment of compliance with the Department's contract management guide and the [State of Texas Procurement and Contract Management Guide](#).

Recommendation/Requirement

The Department should ensure the contract manager or procurement director provides a written acknowledgment of compliance with the Department's contract management guide and the [State of Texas Procurement and Contract Management Guide](#) for all future contract purchases.

Department Response

The Department agrees with the recommendation. The Purchasing department is currently evaluating its processes to update policies and procedures to ensure increased compliance with procurement guidelines and documentation requirements. Purchasing management is working on a formal template to document acknowledgment of compliance with guidelines for future contract purchases.



Payment Card Transactions

Auditors developed a sample of 25 payment card transactions totaling \$24,312.73 to ensure the Department complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Missing Training Verification Documentation

Auditors identified six payment card transactions missing the documentation necessary to verify the Department's employee attended training. The Department stated that it was not aware it needed to get verification of training to supplement registration confirmation.

Proper supporting documentation for a purchase must be maintained or available at least until the end of the second fiscal year after the document was processed by USAS. See [34 Texas Administrative Code 5.51\(e\)\(5\)\(A\)](#).

The Department must make supporting documentation available to the Comptroller's office in the required manner. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(4\)](#).

Recommendation/Requirement

The Department should enhance its policies and procedures to document verification of training attendance and make the documentation available during the audit to justify the validity of the payment.

Department Response

The Department agrees with the recommendation. The Purchasing department has issued communication to agency staff about the training documentation requirements. A training/conference log has been set up to monitor the submission of documentation and will be available for review during an audit.

Loss to the Rebate Payment Card Program

The Department is not in compliance with the early payment discount requirements for state agencies and institutions of higher education. The Department failed to take advantage of early discounts offered by the payment card vendor. The Department stated that it was not aware of the vendor payment card rebate program and has been following the payment scheduling law.

In a report generated outside of the payment card sample, auditors reviewed all Citibank (Citi) payments processed in USAS during the audit period as part of the payment card rebate program. Auditors identified late payments resulting in lost rebates.



Citi Charge Card contract [946-M2](#) contains a rebate program based on the total annual expenditures of all participating entities. In addition to the rebate percentage, an early payment incentive increases for each day a payment is received in full before 30 days from Citi's statement/invoice date.

Citi currently pays a base rebate which decreases by .0075% per day if payment is received on day 31 to day 40, and increases by .75 basis points for each day a payment is processed before 30 days from the statement date. A payment within three days of the statement date earns the highest rebate percentage.

The Department did not take advantage of the discounts offered by Citi and paid the invoice on an average of 39 days after the statement date. For the audit period, the Department lost approximately a minimum of \$4,972.68 and a maximum of \$5,500.87 in rebates due to late payments. The numbers in the table below are for illustration purposes only and are based on estimates and not actual loss or the correct incentive tier. Also, by not taking advantage of the rebates, agencies and institutions of higher education hinder the SPD's ability to negotiate rebates on future contracts.

Total Payments	Average Number of Days to Payment	Estimated Rebate Earned	1.93% Estimated Rebate Earned if Paid in 30 Days	2.0425% Estimated Rebate Earned if Paid in 15 Days	2.1025% Estimated Rebate Earned if Paid in 7 Days	2.1325% Estimated Rebate Earned if Paid in 3 Days	Maximum Lost Rebate
\$257,651.91	39	\$0.00	\$4,972.68	\$5,262.54	\$5,417.13	\$5,500.87	\$5,500.87

Note: Numbers based on estimates, not actual loss, for illustration purposes only.

According to [Texas Government Code, Section 2251.030](#), the Legislature expects government entities to take advantage of early payment discounts, so agencies should submit payment documents to the Comptroller's office in time to do so.

Recommendation/Requirement

The Department should change its payment processes to comply with requirements, take advantage of rebates and avoid the double penalty of lost rebates and prompt payment late interest payment. The Department should:

- Receive its Citi Commercial Card account statements online. Online account statements are available 48 hours from the statement date.
- Work with Citibank to develop automated reconciliation for travel and purchase receipts as transactions occur or shortly after the statement is issued.
- Make partial payments based on supporting documentation received and reconcile and pay as costs arise.



Department Response

The Department agrees with the recommendation. Purchasing staff now accesses credit card statements electronically to expedite processing. When statements are reconciled and proper documentation is collected, payments to Citi are made and are not held for the 30 days as previously done. Purchasing and Accounts Payable are currently evaluating processes to identify other changes that will improve the efficiency of credit card payments to benefit from the rebate payment card program.

Refund of Revenue Transactions

Auditors developed a sample of 10 refund transactions totaling \$12,025.00 to ensure the transactions were supported by appropriate documentation and complied with the GAA, [eXpendit \(FPP.I005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

Grant/Loan Transactions

Auditors developed a representative sample of 10 grant transactions totaling \$223,978.28 and 10 loan transactions totaling \$3,211,160.47, then conducted a limited review of the Department's transactions relating to grant/loan payments. This review consisted of verifying that the payments did not exceed the authorized amounts. The review of these payments did not include an investigation of the Department's procedures for awarding the grants/loans or monitoring payments made to grantees; therefore, auditors are not offering an opinion on those procedures. Audit tests revealed no exceptions in these transactions.

Travel Transactions

Auditors developed a sample of 25 travel transactions totaling \$6,434.99 to ensure the Department complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Missing Amount Change Approval

Auditors identified two travel vouchers where the Department changed the travel voucher reimbursement amount without obtaining the travelers' approval. According to the Department, staff notified the travelers about the amount change but could not locate the documentation to support the travelers' approval.

A signature on paper or electronic travel voucher/form is automatically revoked if new information is added after it is signed, unless the addition is approved by the individual who signed the voucher/form. See [Textravel – Documentation Requirements – Reimbursements to an Individual](#).



Recommendation/Requirement

The Department must amend its policies and procedures to comply with documentation requirements defined in [Texttravel \(FPP G.005\)](#). The Department must obtain approval from the employee for any change to the travel voucher and retain that approval as part of the travel documentation.

Department Response

The Department agrees with the recommendation. The travel auditor has been made aware of the requirement to document approval of changes made to vouchers after submission. The travel section is evaluating its processes to update policies and procedures as necessary.

Missing Proof of Payment

Auditors identified one travel voucher where the lodging receipt did not indicate that the employee paid the balance. The Department did not notice the outstanding balance in reviewing the receipt. Without proper payment documentation, auditors could not determine whether the payment was an accurate reflection of the expense incurred by the traveler. The Department obtained the receipt during the fieldwork portion of the audit and verified that the reimbursement was correct.

For a state employee to be reimbursed for a lodging expense and related tax, the employee must provide proof of payment. See [Texttravel – Lodging Receipt Requirements](#).

Recommendation/Requirement

The Department must ensure that employees' lodging receipts show adequate payment documentation before reimbursement.

Department Response

The Department agrees with this recommendation. Established policies and procedures ensure that proper documentation is obtained prior to travel reimbursements. The finding is attributed to an oversight. The travel auditor has been briefed on the importance of a detailed review of lodging receipts.

Fixed Assets

Auditors developed a representative sample of five transactions to test for accurate reporting and verify the existence of assets. All assets tested were in their intended locations and properly recorded in the SPA system. Audit tests revealed no exceptions in these transactions.



Security

The audit included a security review to identify the Department's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. At termination or revocation, certain deadlines must be met so security can be revoked in a timely manner.

Failure To Notify Comptroller To Remove Employee From Signature Card

The Department failed to notify the Comptroller's office in a timely manner about the termination of one employee who had been designated to approve its expenditures. The request to remove the employee from the signature card was sent 153 days late, so the former employee could have approved paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by a paper voucher approved by the terminated employee would have constituted an unapproved expenditure. Auditors ran a report and determined no unapproved documents were processed during the audit period. According to the Department, the employee's access to the network and building was removed at termination but staff did not notify the Comptroller's office due to an oversight.

Whenever a designated employee terminates employment with an agency, the agency must notify the Comptroller's office no later than the fifth day after the effective date of termination. Any officer or employee may send the Comptroller's office that notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

Recommendation/Requirement

The Department must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for notifying the Comptroller's office about revocations is aware of terminations no later than the fifth day after the termination and will follow up with the Comptroller's office to ensure it receives each notification and that revocation occurs.

Department Response

The Department agrees with the recommendation. Security officers have coordinated with Human Resources to obtain advance notice of employee terminations to ensure timely revocation of security privileges as necessary.

Failure To Request Security Access Removal for Terminated Employee

During the audit period, the Department failed to submit a timely request to the Comptroller's office for one terminated employee who had been designated to approve expenditures. The lack of timely notification meant the employee retained



USAS security for 158 days after termination. The employee could have approved expenditures submitted to the Comptroller's office during that time. Any expenditure that was approved under the employee's expired authority would have constituted an unapproved expenditure. Auditors ran a report and determined that the employee submitted no expenditures after the termination date. According to the Department, the notification to Comptroller's office for removal of USAS security access was not sent due to an oversight.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination. See [34 Texas Administrative Code Section 5.61\(k\)](#). Any officer or employee may send the Comptroller's office notification of termination or revocation. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

Recommendation/Requirement

The Department must ensure staff notifies the Comptroller's office to remove an employee's USAS security profile on or before the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency.

Department Response

The Department agrees with the recommendation. Security officers have coordinated with Human Resources to obtain advance notice of employee terminations to ensure timely revocation of USAS security.

Confidential Treatment of Information Acknowledgment (CTIA) Form Not Completed in a Timely Manner

As a routine part of the security review, auditors evaluated the Department's compliance with the requirement that all users of the Comptroller systems complete a CTIA form. When a new user needs access to Comptroller systems, the Department's security coordinator must first have the user read and sign the CTIA form. The Department's security coordinator keeps the form on file for as long as the user has access to the systems, plus five years. Auditors reviewed this requirement for eight employees and audit tests revealed two employees who gained access to the systems before signing the CTIA form. The Department stated that these violations occurred due to an oversight.

Recommendation/Requirement

The Department should enhance its procedures to ensure no user gains access to the statewide financial systems before completing a CTIA form.



Department Response

The Department agrees with this recommendation. Established policies and procedures ensure that no user gains access to the statewide financial systems before completing a CTIA form. The CTIA forms selected are dated back to 2002. As part of all new employee onboarding, Human Resources requires this form to be completed prior to any access.

Internal Control Structure

The review of the Department's segregation of duties was limited to obtaining reports identifying current user access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed no exceptions in user access.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Reporting System (SPRS),
 - Human Resource Information System (HRIS) or
 - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the Texas Department of Housing and Community Affairs (Department) payroll, purchase/procurement, payment card, refund of revenue, grant/loan and travel transactions contracting processes, property and asset management, and controls over expenditure processing that processed through USAS, CAPPS and SPRS from March 1, 2019, through Feb. 29, 2020, to determine compliance with applicable state laws.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The Department received appendices with the full report, including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department's responsibility to seek refunds for all overpayments



unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Department's documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.

Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

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Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.